UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF NEW YORK

PRIDDIS MUSIC, INC.,

Plaintiff/Counterclaim-Defendant,

-against-

TRANS WORLD ENTERTAINMENT CORPORATION,

Defendant/Counterclaim-Plaintiff.

REPLY TO COUNTERCLAIM

Civil Action No. 05-CV-0491

In reply to the counterclaim in the above-captioned matter of Trans World Entertainment Corporation "TWEC"), plaintiff Priddis Music, Inc. ("Priddis"), by and through its attorneys, McNamee, Lochner, Titus & Williams and based upon knowledge of its own actions and based upon information and belief as to the actions of others, states as follows:

1. States that Priddis is without information sufficient to form a belief as to the truth of the averments of paragraph 1 of the counterclaim as relate to any other person or entity.

2. Admits the averments of paragraph 2.

3. Admits the averments of paragraph 3.

4. States that Priddis is without information or knowledge sufficient to form a belief as to the truth of the averments of paragraph 4.

5. States that Priddis is without information or knowledge sufficient to form a belief as to the truth of the averments of paragraph 5.

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6. States that Priddis is without information or knowledge sufficient to form a belief as to the truth of the averments of paragraph 6.

7. States that Priddis is without information or knowledge sufficient to form a belief as to the truth of the averments of paragraph 7.

8. States that Priddis is without information or knowledge sufficient to form a belief as to the truth of the averments of paragraph 8.

9. Denies the averments of paragraph 9, except to state that TWEC approached Priddis with a request to "buy out" the existing Sound Choice product, which offer was accepted by Priddis.

10. Admits so much of the averments of paragraph 10 as state that the parties executed a Vendor Approval Request Form on or about June 7, 1999, except to the extent that the averments in such paragraph imply that this was the only Vendor Approval Request Form signed by the parties when, in fact, each year a new vendor approval agreement was signed by the parties that replaced the original agreement.

11. Admits the averments of paragraph 11.

12. Denies the averments of paragraph 12, except that Priddis states that shipments were refused by it during the referenced time periods for various reasons, including TWEC's submission of incorrect paperwork, submission of improper return authorization numbers and submission of product for return that was not even Priddis product.

13. States that Priddis is without information or knowledge sufficient to form a belief as to the truth of the averment set forth

in paragraph 13.

14. Admits the averments set forth in paragraph 14 solely to the extent that such averment references a day on which Priddis refused to accept return product from TWEC but denies all other averments of said paragraph 14.

15. Denies the averments of paragraph 15.

16. Denies the averments of paragraph 16.

17. States that Priddis is without sufficient information or knowledge to form a belief as to the truth of the averments of paragraph 17, to the extent that a response is required, denies the averment that TWEC has suffered substantial "immitigable" damages.

18. Repeats and realleges Priddis' answers to the averments contained in paragraph 1-17 as if fully set forth herein.

19. Admits the averments in paragraph 19.

20. Denies the averments of paragraph 20.

21. Denies the averments of paragraph 21.

22. Denies the averments of paragraph 22.

23. Denies the averments of paragraph 23.

AFFIRMATIVE DEFENSES

FIRST AFFIRMATIVE DENSE

24. The counterclaim of TWEC fails to state a cause of action upon which relief can be granted.

SECOND AFFIRMATIVE DEFENSE

25. TWEC's claim is barred as it engaged in unlawful and unfair business practices with Priddis by:

a. Attempting to make returns to Priddis many months beyond the agreed deadline for return;

b. Returning product to Priddis not sold to it by Priddis as part of an attempted return of other Priddis products; and

c. Creating its own return authorization numbers which were sent to Priddis in with TWEC's returns, in TWEC's effort to make returns not approved by Priddis.

THIRD AFFIRMATIVE DEFENSE

c. TWEC's claims are barred by the doctrines of waiver, estoppel and unclaimed hands.

FOURTH AFFIRMATIVE DEFENSE

d. TWEC failed, either in whole or in part, to mitigate its alleged damages.

PRAYER FOR RELIEF

WHEREFORE, Priddis prays that this Court enter judgment dismissing the counterclaim of TWEC as set forth in its answer and counterclaim dated September 9, 2005 and finding against TWEC and in Priddis' favor on Priddis' First, Fourth and Fifth causes of action, together with such other and further relief as is set forth in the original summons and complaint of Priddis Music, Inc. filed April 21, 2005.

Dated: October 5, 2005

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